

GENERAL CHANGE ENDORSEMENT NO. 001

CERTIFIED POLICY COPY

This is to certify that this is a true copy of the original policy or endorsement bearing the same number issued to the named insured by this Company. Liability is assumed under the original policy only. Dated 4/20/05

Insured: Enterprise Asset Management, Inc.

Account No. 1-30033

Policy No. NC004

This Endorsement is attached to and forms a part of the above stated Policy. Premium for this Endorsement, if any, and the future installment amount are stated elsewhere.

Effective: 1 February, 2005

The Policy limit of liability in the LIMITS OF LIABILITY clause under the DECLARATIONS section is amended to read \$212,366,011.

As respects FLOOD, the limit of liability under the LIMITS OF LIABILITY clause in the DECLARATIONS section is amended to read as follows:

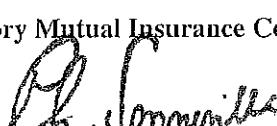
USD212,366,011: FLOOD but not to exceed the following limits:

USD10,000,000 for Miscellaneous Unnamed Locations

USD1,000,000 for ERRORS AND OMISSIONS



Factory Mutual Insurance Company

Dated 20 April 2005  
By   
Authorized Signature



Factory Mutual Insurance Company  
P.O. Box 7500  
Johnston, Rhode Island 02919  
1-800-343-7722

# MUTUAL CORPORATION NON-ASSESSABLE POLICY

## BROKER COPY

### DECLARATIONS

Policy No. NC004	Previous Policy No. NB710	DATE OF ISSUE 4 February, 2005
Account No. 1-30033	Replaces Binder No.	

In consideration of this Policy's Provisions, Conditions, Stipulations, Exclusions and Limits of Liability, and of premium charged, Factory Mutual Insurance Company, hereafter referred to as the Company, does insure:

<b>INSURED:</b>  Enterprise Asset Management, Inc.
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(For Complete Title See Policy)

The term of this Policy is from the 1st day of February, 2005 to the 1st day of February, 2006 at 12:01 a.m., Standard Time, at the Locations of property involved as provided in this Policy.

This Policy covers property, as described in this Policy, against ALL RISKS OF PHYSICAL LOSS OR DAMAGE, except as hereinafter excluded, while located as described in this Policy.

By virtue of this Policy and any other policies purchased from the Company being in force, the Insured becomes a member of the Company, subject to the provisions of its charter and by-laws, and is entitled to one vote either in person or by proxy at any and all meetings of said Company.

Assignment of this Policy will not be valid except with the written consent of the Company.

This Policy is made and accepted subject to the above provisions and those hereinafter stated, which are made a part of this Policy, together with such other provisions and agreements as may be added to this Policy.

In Witness, this Company has issued this Policy at its office in the city of Johnston, R. I.  
this 4th day of February, 2005

Authorized Signature

*John J. Pomeroy* *S.S. Subramanian*

Secretary

President

Countersigned (if required) this \_\_\_\_\_ day of

Agent



This policy is issued by a mutual company having special regulations lawfully applicable to its organization, membership, policies, or contracts of insurance of which the following shall apply to and form a part of this policy.

**EXTRACTS FROM CHARTER OF THIS COMPANY**  
Granted by the General Assembly of the State of Rhode Island

SECTION 5. Except as hereinafter specifically provided, each natural person, partnership, association, corporation or legal entity insured on the mutual plan by the Corporation shall be a member of the Corporation during the term of its policy but no longer, and at all meetings of the members shall be entitled to one vote either in person or by proxy, provided, however, that where there is more than one insured under any policy, such insureds shall nevertheless be deemed to be a single member of the Corporation for all purposes. The Corporation may issue policies which do not entitle the insured to membership in the Corporation nor to participate in its surplus.

SECTION 10. Upon the termination of the membership of any member, all his or its right and interest in the surplus, reserves and other assets of the Corporation shall forthwith cease.

**EXTRACTS FROM THE BY-LAWS OF THIS COMPANY**  
Adopted July 13, 2000

ARTICLE 1 - MEETINGS OF THE MEMBERS

SECTION I. Annual Meeting

The annual meeting of the members shall be held at the principal offices of the Company, or at such other place as may be stated in the notice of the meeting, at 9:00 a.m. on the second Thursday of April in each year, for the election of directors and the transaction of such other business as may be brought before the meeting. If the annual meeting is omitted on the day herein provided therefor, a special meeting may be held in place thereof; and any business transacted or elections held at such special meeting shall be as effective as if transacted or held at the annual meeting.



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## DECLARATIONS - SECTION A

### **1. NAMED INSURED AND MAILING ADDRESS**

Enterprise Asset Management, Inc., Enterprise Gardens, LLC – Investor in Granite Gardens LLC, Richard D. Segal – Partner in Seavest, Inc., Seavest, Inc. – Investor in Granite Gardens, LLC, Seavest Gardens, LLC – Investor in Granite Gardens, LLC and any subsidiary, and Enterprise Asset Management, Inc. interest in any partnership or joint venture in which Enterprise Asset Management, Inc. has management control or ownership as now constituted or hereafter is acquired, as the respective interest of each may appear; all hereafter referred to as the “Insured”, including legal representatives.

475 5<sup>th</sup> Avenue  
12<sup>th</sup> Floor  
New York, New York 10017

### **2. POLICY DATES**

FROM:	1 February, 2005
TO:	1 February, 2006
TERM:	01 year 00 months 00 days

### **3. TERRITORY**

This Policy covers Insured Locations in:

- A. The United States of America.

### **4. INSURED LOCATION**

- A. The coverages under this Policy apply to an Insured Location unless otherwise provided.

Insured Location is a location:

- 1) listed on a Schedule of Locations attached to this Policy.
- 2) covered as a Miscellaneous Unnamed Location.
- 3) covered under the terms and conditions of the Automatic Coverage or Errors and Omissions provisions.

- B. References and Application. The following term(s) wherever used in this Policy means:

- 1) Miscellaneous Unnamed Location: A Location owned, leased or rented by the Insured, but not specified in the Schedule of Locations.
- 2) Location:

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- a) as specified in the Schedule of Locations, or
- b) if not so specified in the Schedule of Locations: a Location is a building, yard, dock, wharf, pier or bulkhead (or any group of the foregoing) bounded on all sides by public streets, clear land space or open waterways, each not less than fifty feet wide. Any bridge or tunnel crossing such street, space or waterway will render such separation inoperative for the purpose of this References and Application.

## 5. CURRENCY

All amounts, including deductibles, premiums and limits of liability, indicated in this Policy shall be in the currency represented by the three letter currency designation shown. This three letter currency designator is defined in Table A.1-Currency and funds code list, International Standards Organization (ISO) 4217, edition effective at inception of this Policy.

## 6. LIMITS OF LIABILITY

The Company's maximum limit of liability in a single occurrence regardless of the number of Locations or coverages involved will not exceed the Policy limit of liability of USD211,866,011, except as follows. When a limit of liability for a Location or other specified property is shown, such limit will be the maximum amount payable for any loss or damage arising from physical loss or damage at such Location or involving such other specified property.

Miscellaneous Unnamed Locations: USD10,000,000 per Location

If a lesser limit of liability is stated below or elsewhere in this Policy, the lesser limit will apply. The limits of liability stated below or elsewhere in this Policy are part of and not in addition to the Policy limit of liability.

Limits of liability stated below apply in the aggregate per occurrence for all Locations and coverages involved.

When a limit of liability is shown as applying in the Aggregate During Any Policy Year, the Company's maximum limit of liability will not exceed such limit during any policy year regardless of the number of locations, coverages or occurrences involved.

In the event an occurrence results in liability payable under more than one policy issued to the Named Insured by the Company, or its representative companies, the maximum amount payable in the aggregate under all such policies will be the applicable limit(s) of liability indicated in this Policy regardless of the number of coverages, locations or perils involved.

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Limits of Liability

USD25,000,000 applies to each of the following:

ACCOUNTS RECEIVABLE;  
DEFERRED PAYMENTS;  
ERRORS AND OMISSIONS;  
EXPEDITING COSTS and EXTRA EXPENSE combined;  
FINE ARTS;  
SERVICE INTERRUPTION PROPERTY DAMAGE and SERVICE INTERRUPTION TIME ELEMENT combined as respects all specified services interrupted;  
VALUABLE PAPERS AND RECORDS

USD10,000,000 applies to each of the following:

DATA, PROGRAMS OR SOFTWARE and COMPUTER SYSTEMS – NON PHYSICAL DAMAGE combined;  
MISCELLANEOUS PERSONAL PROPERTY per Location;  
OFF PREMISES STORAGE FOR PROPERTY UNDER CONSTRUCTION;  
SOFT COSTS;  
TRANSPORTATION

USD20,000,000:

DEPENDENT TIME ELEMENT but not to exceed a USD10,000,000 limit per Dependent Time Element Location

USD1,000,000:

DECONTAMINATION COSTS

USD100,000,000:

EARTH MOVEMENT in the Aggregate During Any Policy Year but not to exceed the following limits in the Aggregate During Any Policy Year:

USD10,000,000 for Miscellaneous Unnamed Locations

USD1,000,000 for ERRORS AND OMISSION

USD211,866,000:

*Op. Risks*

FLOOD but not to exceed the following limits:

*USD25,000,000 for Location 8*

USD10,000,000 for Miscellaneous Unnamed Locations

USD1,000,000 for ERRORS AND OMISSION

USD50,000:

LAND AND WATER CONTAMINANT OR POLLUTANT CLEANUP, REMOVAL AND DISPOSAL in the Aggregate During Any Policy Year



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USD25,000 plus 50% of the amount recoverable under this coverage in excess of USD25,000:

USD100,000,000:

#### PROFESSIONAL FEES

TERRORISM and NON CERTIFIED ACT OF TERRORISM combined in the Aggregate During Any Policy Year for Property Damage and Time Element combined but not to exceed the following limit(s) in the Aggregate During Any Policy Year:

USD1,000,000 for Miscellaneous Unnamed Locations, MISCELLANEOUS PERSONAL PROPERTY, OFF PREMISES STORAGE FOR PROPERTY UNDER CONSTRUCTION and TEMPORARY REMOVAL OF PROPERTY combined for Property Damage and Time Element combined

USD1,000,000 for Flood Property Damage and Time Element combined when caused by or resulting from Terrorism and Non Certified Act of Terrorism combined

These limits shall not include the Actual Cash Value portion of fire damage caused by Terrorism

These limits do not apply to Certified Act of Terrorism as described in the SUPPLEMENTAL UNITED STATES CERTIFIED ACT OF TERRORISM ENDORSEMENT

Upon the expiration of the Terrorism Risk Insurance Act of 2002, the above Limits of Liability for TERRORISM and NON CERTIFIED ACT OF TERRORISM will be considered null and void and replaced with the Limits of Liability for TERRORISM shown below:

USD100,000,000:

TERRORISM for property located in the United States, its territories and possessions and the Commonwealth of Puerto Rico for Property Damage and Time Element combined but not to exceed the following limit(s) in the Aggregate During Any Policy Year:

USD1,000,000 for Miscellaneous Unnamed Locations, MISCELLANEOUS PERSONAL PROPERTY, OFF PREMISES STORAGE FOR PROPERTY UNDER CONSTRUCTION and TEMPORARY REMOVAL OF PROPERTY combined for Property Damage and Time Element combined

USD1,000,000 for Flood Property Damage and Time Element combined when caused by or resulting from Terrorism

These limits shall not include the Actual Cash Value portion of fire damage caused by Terrorism



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#### Time Limits

In addition to the time limits shown elsewhere in this Policy, the following apply:

90 day period but not to exceed a USD10,000,000 limit but not to exceed the following limits:

USD1,000,000 for EARTH MOVEMENT

USD1,000,000 for FLOOD: AUTOMATIC COVERAGE

60 day period: EXTENDED PERIOD OF LIABILITY

30 day period but not to exceed a USD10,000,000 limit: INGRESS/EGRESS

12 month period: TIME ELEMENT loss as respects TERRORISM and NON CERTIFIED ACT OF TERRORISM combined

This Time Limit for TERRORISM coverage and NON CERTIFIED ACT OF TERRORISM shall not be considered additive to any other Time Limits or to any PERIOD OF LIABILITY applying to any coverage provided in the TIME ELEMENT section, and shall be subject to the limit of liability for TERRORISM and NON CERTIFIED ACT OF TERRORISM.

#### 7. PREMIUM

This Policy is issued in consideration of an initial premium. If the term of this Policy is longer than one year, for each subsequent year of coverage, premium will be due at the anniversary and will be subject to rules and rates in effect at that time.

#### 8. PREMIUM PAYABLE

The Brunswick Companies pays the premium under this Policy on behalf of Enterprise Asset Management, Inc. and said Enterprise Asset Management, Inc. has partially financed such premium with Imperial A.I. Credit Companies, Inc. in accordance with the terms of an agreement executed 1 February, 2005. Any return premium under this Policy shall be paid to Imperial A.I. Credit Companies, Inc.



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## 9. VALUE REPORTING PROVISIONS

The Insured will provide the Company 100% values by location.

These statement(s) of values are due on the date(s) shown below.

<u>Values as Of</u>	<u>Due Date</u>	<u>Type of Values</u>
1 February	1 February	Property values in accordance with the VALUATION clause of the LOSS ADJUSTMENT AND SETTLEMENT section.
1 February	1 February	In addition, Stock and Supplies on the average and maximum values based on the previous 12 month period.
1 February	1 February	Time Element values anticipated for the 12 months following the "Value as Of" date, and the actual Time Element values for the previous 12 month period.

## 10. WAITING PERIOD

For the purposes of applying COMPUTER SYSTEMS-NON PHYSICAL DAMAGE Coverage, the Waiting Period is 48 hours.

For the purposes of applying DATA, PROGRAMS OR SOFTWARE Coverage when the loss or damage is caused by the malicious introduction of a machine code or instruction, the Waiting Period is 48 hours.

For the purposes of applying SERVICE INTERRUPTION Coverage, the Waiting Period is 8 hours except 24 hours for Location 13.

## 11. DEDUCTIBLES

In each case of loss covered by this Policy, the Company will be liable only if the Insured sustains a loss in a single occurrence greater than the applicable deductible specified below, and only for its share of that greater amount.

Unless otherwise stated below:

- A. When this Policy insures more than one location, the deductible will apply against the total loss covered by this Policy in any one occurrence.
- B. If two or more deductibles provided in this Policy apply to a single occurrence, the total to be deducted will not exceed the largest deductible applicable, unless otherwise provided.

### Policy Deductible(s)

USD25,000 combined all coverages, except as follows.

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Exceptions to Policy Deductible(s)

Accounts Receivable

USD2,500 combined all coverages

Computer Systems-Non Physical Damage

2 Day Equivalent deductible subject to a minimum deductible of USD25,000, combined all coverages.

Data, Programs or Software

2 Day Equivalent deductible as respects loss or damage caused by the malicious introduction of a machine code or instruction, subject to a minimum deductible of USD2,500, combined all coverages.

Earthquake

USD50,000 combined all coverages

Flood

USD50,000 combined all coverages

Location 10

USD5,000 combined all coverages

Transportation

USD5,000 combined all coverages

Valuable Papers and Records

USD5,000 combined all coverages

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### Wind

The following deductible applies to Wind losses at Locations in New York and will apply separately at each Location irrespective of any other deductibles applying:

- A. USD100,000 - Property Damage
- B. USD100,000 - Time Element

The following deductible applies to Wind losses at Locations in Tier I as described in High Hazard Zones for Wind, Appendix D and will apply separately at each Location irrespective of any other deductibles applying:

The greater of 5% of the value, per the VALUATION clause of the LOSS ADJUSTMENT AND SETTLEMENT section, of the property insured at the Location where physical damage occurred and 5% of the full 12 months Time Element values which would have been earned in the 12 month period following the occurrence by use of the facilities at the Location where the physical damage occurred and all other Locations where TIME ELEMENT loss ensues or USD25,000, combined all coverages.

OKAY P.D.

References and Application. The following term(s) wherever used in this Policy means:

1. Day Equivalent:

An amount equivalent to the number of days stated times the 100% daily Time Element value that would have been earned following the occurrence at the Location where the physical damage occurred and all other Locations where TIME ELEMENT loss ensues.

2. Wind:

Direct action of wind including substance driven by wind.





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## PROPERTY DAMAGE - SECTION B

### **1. PROPERTY INSURED**

This Policy insures the following property, unless otherwise excluded elsewhere in this Policy, located at an Insured Location or within 1,000 feet thereof, to the extent of the interest of the Insured in such property.

- A. Real Property, including new buildings and additions under construction at an Insured Location, in which the Insured has an insurable interest.
- B. Personal Property:
  - 1) owned by the Insured.
  - 2) consisting of the Insured's interest as a tenant in improvements and betterments. In the event of physical loss or damage, the Company agrees to accept and consider the Insured as sole and unconditional owner of improvements and betterments, notwithstanding any contract or lease to the contrary.
  - 3) of officers and employees of the Insured.
  - 4) of others in the Insured's custody to the extent the Insured is under obligation to keep insured for physical loss or damage insured by this Policy.
  - 5) of others in the Insured's custody to the extent of the Insured's legal liability for physical loss or damage to Personal Property. The Company will defend that portion of any suit against the Insured that alleges such liability and seeks damages for such insured physical loss or damage. The Company may, without prejudice, investigate, negotiate and settle any claim or suit as the Company deems expedient.

This Policy also insures the interest of contractors and subcontractors in insured property during construction at an Insured Location or within 1,000 feet thereof, to the extent of the Insured's legal liability for insured physical loss or damage to such property. Such interest of contractors and subcontractors is limited to the property for which they have been hired to perform work and such interest will not extend to any TIME ELEMENT coverage provided under this Policy.

### **2. PROPERTY EXCLUDED**

This Policy excludes:

- A. currency, money, precious metal in bullion form, notes, or securities.
- B. land, water or any other substance in or on land; except this exclusion does not apply to:
  - 1) land improvements consisting of landscape gardening, roadways and pavements, but not including any fill or land beneath such property.

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- 2) water that is contained within any enclosed tank, piping system or any other processing equipment.
- C. animals, standing timber, growing crops.
  - D. watercraft or aircraft, except when unfueled and manufactured by the Insured.
  - E. vehicles of officers and employees of the Insured or vehicles otherwise insured for physical loss or damage.
  - F. underground mines or mine shafts or any property within such mine or shaft.
  - G. dams and dikes.
  - H. property in transit, except as otherwise provided by this Policy.
  - I. property sold by the Insured under conditional sale, trust agreement, installment plan or other deferred payment plan after delivery to customers, except as provided by the DEFERRED PAYMENTS coverage of this Policy.
  - J. electronic data, programs and software, except when they are stock in process, finished goods manufactured by the Insured, raw materials, supplies or other merchandise not manufactured by the Insured or as otherwise provided by the DATA, PROGRAMS OR SOFTWARE coverage of this Policy.

### **3. ADDITIONAL COVERAGES**

This Policy includes the following Additional Coverages for physical loss or damage insured by this Policy.

These Additional Coverages:

- 1) are subject to the applicable limit of liability;
- 2) will not increase the Policy limit of liability; and
- 3) are subject to the Policy provisions, including applicable exclusions and deductibles,

all as shown in this section and elsewhere in this Policy.

#### **A. ACCOUNTS RECEIVABLE**

This Policy covers any shortage in the collection of accounts receivable, resulting from insured physical loss or damage to accounts receivable records, including accounts receivable records stored as electronic data, while anywhere within this Policy's TERRITORY, including while in transit. The Company will be liable for the interest charges on any loan to offset impaired collections pending repayment of such sum uncollectible as the result of such loss or damage. Unearned interest and service charges on



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deferred payment accounts and normal credit losses on bad debts will be deducted in determining the recovery.

- 1) In the event of loss to accounts receivable records, the Insured will use all reasonable efforts, including legal action, if necessary, to effect collection of outstanding accounts receivable.
- 2) The Insured agrees to use any suitable property or service:
  - a) owned or controlled by the Insured; or
  - b) obtainable from other sources,
 in reducing the loss under this Additional Coverage.
- 3) This Policy covers any other necessary and reasonable costs incurred to reduce the loss, to the extent the losses are reduced.
- 4) If it is possible to reconstruct accounts receivable records so that no shortage is sustained, the Company will be liable only for the reasonable and necessary cost incurred for material and time required to re-establish or reconstruct such records, and not for any costs covered by any other insurance.
- 5) ACCOUNTS RECEIVABLE Exclusions: The following exclusions are in addition to the EXCLUSIONS clause of this section:

This Additional Coverage does not insure against shortage resulting from:

- a) bookkeeping, accounting or billing errors or omissions; or
- b) (i) alteration, falsification, manipulation; or  
 (ii) concealment, destruction or disposal,

of accounts receivable records committed to conceal the wrongful giving, taking, obtaining or withholding of money, securities or other property; but only to the extent of such wrongful giving, taking, obtaining or withholding.

- 6) The settlement of loss will be made within 90 days from the date of physical loss or damage. All amounts recovered by the Insured on outstanding accounts receivable on the date of loss will belong and be paid to the Company up to the amount of loss paid by the Company. All recoveries exceeding the amount paid will belong to the Insured.

## B. AUTOMATIC COVERAGE

This Policy covers insured property at any Location purchased, leased or rented by the Insured after the inception date of this Policy. This coverage applies from the date of purchase, lease or rental.



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This Additional Coverage does not apply to property insured in whole or in part by any other insurance policy.

This coverage will apply until whichever of the following occurs first:

- 1) The Location is bound by the Company.
- 2) Agreement is reached that the Location will not be insured under this Policy.
- 3) The Time Limit shown in the LIMITS OF LIABILITY clause in the DECLARATIONS section has been reached. The Time Limit begins on the date of purchase, lease or rental.

#### C. BRANDS AND LABELS

If branded or labeled property insured by this Policy is physically damaged and the Company elects to take all or any part of that property, the Insured may at the Company's expense:

- 1) stamp "salvage" on the property or its containers; or
- 2) remove or obliterate the brands or labels,

if doing so will not damage the property. In either event, the Insured must relabel such property or its containers to be in compliance with any applicable law.

#### D. CONSEQUENTIAL REDUCTION IN VALUE

This Policy covers the reduction in value of insured merchandise that is a part of pairs, sets, or components, directly resulting from physical loss or damage insured by this Policy to other insured parts of pairs, sets or components of such merchandise. If settlement is based on a constructive total loss, the Insured will surrender the undamaged parts of such merchandise to the Company.

#### E. CONTROL OF DAMAGED PROPERTY

This Policy gives control of physically damaged property consisting of products of the insured or merchandise purchased by the Insured for sale as follows:

- 1) The Insured will have full rights to the possession and control of damaged property in the event of insured physical damage to such property provided proper testing is done to show which property is physically damaged.
- 2) The Insured using reasonable judgment will decide if the physically damaged property can be reprocessed or sold.
- 3) Property so judged by the Insured to be unfit for reprocessing or selling will not be sold or disposed of except by the Insured, or with the Insured's consent.



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- 4) Any salvage proceeds received will go to the:
  - a) Company at the time of loss settlement; or
  - b) Insured if received prior to loss settlement and such proceeds will reduce the amount of loss payable accordingly.

#### F. DATA, PROGRAMS OR SOFTWARE

This Policy covers insured Physical Loss Or Damage To Electronic Data, Programs Or Software, including physical loss or damage caused by the malicious introduction of a machine code or instruction, while anywhere within this Policy's TERRITORY, including while in transit.

- 1) With respect to Physical Loss Or Damage caused by the malicious introduction of machine code or instruction, this Additional Coverage will apply when the Period of Liability is in excess of the time shown as Waiting Period in the WAITING PERIOD clause of the DECLARATIONS section.
- 2) This Additional Coverage also covers the cost of the following reasonable and necessary actions taken by the Insured:
  - a) Actions to temporarily protect and preserve insured electronic data, programs or software;
  - b) Actions taken for the temporary repair of insured Physical Loss Or Damage To Electronic Data, Programs Or Software and to expedite the permanent repair or replacement of such damaged property,

provided such actions are taken due to actual insured Physical Loss Or Damage To Electronic Data, Programs Or Software.

- 3) This Additional Coverage also covers the reasonable and necessary costs incurred by the Insured to temporarily protect or preserve insured electronic data, programs or software against immediately impending insured Physical Loss Or Damage To Electronic Data, Programs Or Software. In the event that the physical loss or damage does not occur, the costs covered under this item 3 will be subject to the deductible that would have applied if the physical loss or damage had occurred.
- 4) Costs recoverable under this Additional Coverage are excluded from coverage elsewhere in this Policy.
- 5) This Additional Coverage excludes loss or damage to data, programs or software when they are stock in process, finished goods manufactured by the Insured, raw materials, supplies or other merchandise not manufactured by the Insured.
- 6) DATA, PROGRAMS OR SOFTWARE Exclusions: The exclusions in the EXCLUSIONS clause of this section do not apply to DATA, PROGRAMS OR

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SOFTWARE except for A1, A2, A6, B1, B2, B3a, B4, B5 and B7. In addition as respects DATA, PROGRAMS OR SOFTWARE the following exclusions apply:

This Policy does not insure:

- a) errors or omissions in processing, or copying; all unless physical damage not excluded by this Policy results, in which event, only that resulting damage is insured.
- b) loss or damage to data, programs or software from errors or omissions in programming or machine instructions; all unless physical damage not excluded by this Policy results, in which event, only that resulting damage is insured.
- c) deterioration, inherent vice, vermin or wear and tear; all unless physical damage not excluded by this Policy results, in which event, only that resulting damage is insured.

7) References and Application. The following term(s) means:

- a) Physical Loss Or Damage To Electronic Data, Programs Or Software:

The destruction, distortion or corruption of electronic data, programs or software.

## G. DEBRIS REMOVAL

This Policy covers the reasonable and necessary costs incurred to remove debris from an Insured Location that remains as a direct result of physical loss or damage insured by this Policy.

This Additional Coverage does not cover the costs of removal of:

- 1) contaminated uninsured property; or
- 2) the contaminant in or on uninsured property,

whether or not the contamination results from insured physical loss or damage. Contamination includes, but is not limited to, the presence of pollution or hazardous material.

## H. DECONTAMINATION COSTS

If insured property is contaminated as a direct result of physical damage insured by this Policy and there is in force at the time of the loss any law or ordinance regulating contamination, including but not limited to the presence of pollution or hazardous material, then this Policy covers, as a direct result of enforcement of such law or ordinance, the increased cost of decontamination and/or removal of such contaminated insured property in a manner to satisfy such law or ordinance. This Additional Coverage applies only to that part of insured property so contaminated as a direct result of insured physical damage.

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The Company is not liable for the costs required for removing contaminated uninsured property nor the contaminant therein or thereon, whether or not the contamination results from an insured event.

## I. DEFERRED PAYMENTS

This Policy covers insured physical loss or damage to Personal Property of the type insured sold by the Insured under a conditional sale or trust agreement or any installment or deferred payment plan and after such property has been delivered to the buyer. Coverage is limited to the unpaid balance for such property.

In the event of loss to property sold under deferred payment plans, the Insured will use all reasonable efforts, including legal action, if necessary, to effect collection of outstanding amounts due or to regain possession of the property.

There is no liability under this Policy for loss:

- 1) pertaining to products recalled including, but not limited to, the costs to recall, test or to advertise such recall by the Insured.
- 2) from theft or conversion by the buyer of the property after the buyer has taken possession of such property.
- 3) to the extent the buyer continues payments.
- 4) not within the TERRITORY of this Policy.

## J. DEMOLITION AND INCREASED COST OF CONSTRUCTION

- 1) This Policy covers the reasonable and necessary costs incurred, described in item 3 below, to satisfy the minimum requirements of the enforcement of any law or ordinance regulating the demolition, construction, repair, replacement or use of buildings or structures at an Insured Location, provided:
  - a) such law or ordinance is in force on the date of insured physical loss or damage; and
  - b) its enforcement is a direct result of such insured physical loss or damage.
- 2) This Additional Coverage does not cover loss due to any law or ordinance with which the Insured was required to comply had the loss not occurred.
- 3) This Additional Coverage, as respects the property insured in item 1 above, covers:
  - a) the cost to repair or rebuild the physically damaged portion of such property with materials and in a manner to satisfy such law or ordinance; and
  - b) the cost:
    - (i) to demolish the physically undamaged portion of such property insured; and



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- (ii) to rebuild it with materials and in a manner to satisfy such law or ordinance, to the extent that such costs result when the demolition of the physically damaged insured property is required to satisfy such law or ordinance.
- 4) This Additional Coverage excludes any costs incurred as a direct or indirect result of enforcement of any laws or ordinances regulating any form of contamination including but not limited to the presence of pollution or hazardous material.
  - 5) The Company's maximum liability for this Additional Coverage at each Insured Location in any occurrence will not exceed the actual cost incurred in demolishing the physically undamaged portion of the property insured in item 1 above plus the lesser of:
    - a) the reasonable and necessary actual cost incurred, excluding the cost of land, in rebuilding on another site; or
    - b) the cost of rebuilding on the same site.

## K. EARTH MOVEMENT

This Policy covers physical loss or damage caused by or resulting from Earth Movement.

This Additional Coverage does not apply to loss or damage caused by or resulting from flood; surface waters; rising waters; waves; tide or tidal water; the release of water; the rising, overflowing or breaking of boundaries of natural or man-made bodies of water; or the spray therefrom; or sewer back-up resulting from any of the foregoing; all regardless of any other cause or event contributing concurrently or in any other sequence to the loss.

- 1) References and Application. The following term(s) wherever used in this Policy means:

- a) Earth Movement:

Any natural or man-made earth movement including, but not limited to earthquake or landslide, regardless of any other cause or event contributing concurrently or in any other sequence of loss. However, physical damage by fire, explosion, or sprinkler leakage resulting from Earth Movement will not be considered to be loss by Earth Movement within the terms and conditions of this Policy. All earth movements within a continuous 72 hour period will be considered a single Earth Movement.

- b) High Hazard Zones for Earth Movement:

Property located in California, Hawaii, and Alaska.

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If physical loss or damage is not payable under this Policy solely due to an error or unintentional omission:

- 1) in the description of where insured property is physically located;
- 2) to include any Location:
  - a) owned, leased or rented by the Insured on the effective date of this Policy; or
  - b) purchased, leased or rented by the Insured during the term of this Policy; or
- 3) that results in cancellation of the property insured under this Policy;

this Policy covers such physical loss or damage, to the extent it would have provided coverage had such error or unintentional omission not been made.

It is a condition of this Additional Coverage that any error or unintentional omission be reported by the Insured to the Company when discovered and corrected.

**M. EXPEDITING COSTS**

This Policy covers the reasonable and necessary costs incurred to pay for the temporary repair of insured damage to insured property and to expedite the permanent repair or replacement of such damaged property.

This Additional Coverage does not cover costs:

- 1) recoverable elsewhere in this Policy; or
- 2) of permanent repair or replacement of damaged property.

**N. FINE ARTS**

This Policy covers insured physical loss or damage to Fine Arts articles while anywhere within this Policy's TERRITORY, including while in transit.

- 1) This Additional Coverage excludes loss or damage if the Fine Arts cannot be replaced with other of like kind and quality, unless it is specifically declared to the Company.
- 2) FINE ARTS Exclusion: The exclusions in the EXCLUSIONS clause of this section do not apply to FINE ARTS coverage except for A1, A2, A6, A7, B1, B2, B3a, B4, B5, B7 and D4. In addition, as respects FINE ARTS, the following exclusions apply:

This Policy does not insure against:

- a) deterioration, wear and tear or inherent vice.



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- b) loss or damage from any repairing, restoration or retouching process.
- 3) References and Application. The following term(s) wherever used in this Policy means:
  - a) Fine Arts:

Paintings; etchings; pictures; tapestries; rare or art glass; art glass windows; valuable rugs; statuary; sculptures; antique furniture; antique jewelry; bric-a-brac; porcelains; and similar property of rarity, historical value, or artistic merit excluding automobiles, coins, stamps, furs, jewelry, precious stones, precious metals, watercraft, aircraft, money, securities.

## O. FLOOD

This Policy covers physical loss or damage caused by or resulting from Flood.

- 1) References and Application. The following term(s) wherever used in this Policy means:
  - a) Flood:

Flood; surface waters; rising waters; waves; tide or tidal water; the release of water, the rising, overflowing or breaking of boundaries of natural or man-made bodies of water; or the spray therefrom; or sewer back-up resulting from any of the foregoing; regardless of any other cause or event contributing concurrently or in any other sequence of loss. However, physical damage by fire, explosion or sprinkler leakage resulting from Flood is not considered to be loss by Flood within the terms and conditions of this Policy.

## P. LAND AND WATER CONTAMINANT OR POLLUTANT CLEANUP, REMOVAL AND DISPOSAL

This Policy covers the reasonable and necessary cost for the cleanup, removal and disposal of contaminants or pollutants from uninsured property consisting of land, water or any other substance in or on land at the Insured Location if the release, discharge or dispersal of contaminants or pollutants is a direct result of insured physical loss or damage to insured property.

This Policy does not cover the cost to cleanup, remove and dispose of contaminants or pollutants from such property:

- 1) at any location insured for Personal Property only.
- 2) at any property insured under AUTOMATIC COVERAGE, ERRORS AND OMISSIONS or Miscellaneous Unnamed Location coverage provided by this Policy.
- 3) when the Insured fails to give written notice of loss to the Company within 180 days after inception of the loss.



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#### **Q. MISCELLANEOUS PERSONAL PROPERTY**

This Policy covers insured physical loss or damage to Personal Property of the type insured:

- 1) owned by the Insured or
- 2) property of others in the custody of the Insured, to the extent the Insured is under obligation to keep insured for physical loss or damage, not otherwise excluded from this Policy,

at any Location within the TERRITORY of this Policy.

This Additional Coverage excludes property insured under any other coverage in this Policy.

#### **R. OFF PREMISES STORAGE FOR PROPERTY UNDER CONSTRUCTION**

This Policy covers insured physical loss or damage to property of the type insured that is under contract to be used in a construction project at an Insured Location.

Coverage attaches at the time such property is delivered to the Insured or their contractor (with respect to the property under construction) by the manufacturer or supplier and such property is located at a storage site within this Policy's TERRITORY but away from the Insured Location.

This coverage includes necessary expendable materials and supplies to be utilized in the construction project but does not include any property owned or rented by the contractor.

#### **S. OPERATIONAL TESTING**

This Policy covers insured physical loss or damage to insured property during the Period Of Operational Testing.

Property, including stock or material, manufactured or processed by the Insured is excluded under this Additional Coverage.

- 1) References and Application: The following term(s) means:

- a) Period Of Operational Testing:

The period of time beginning 24 hours prior to the earlier of the following:

- (i) introduction, into a system, of feedstock or other materials for processing or handling;
- (ii) commencement of fuel or energy supply to a system,

and ending with the earlier of the following:

- (i) the expiration date or cancellation date of this Policy.



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(ii) if specified, the number of consecutive days shown in the LIMITS OF LIABILITY clause in the DECLARATIONS section.

## T. PROFESSIONAL FEES

This Policy covers the actual costs incurred by the Insured, of reasonable fees payable to the Insured's accountants, architects, auditors, engineers, or other professionals and the cost of using the Insured's employees, for producing and certifying any particulars or details contained in the Insured's books or documents, or such other proofs, information or evidence required by the Company resulting from insured loss payable under this Policy for which the Company has accepted liability.

- 1) This Additional Coverage will not include the fees and costs of attorneys, public adjusters, and loss appraisers, all including any of their subsidiary, related or associated entities either partially or wholly owned by them or retained by them for the purpose of assisting them nor the fees and costs of loss consultants who provide consultation on coverage or negotiate claims.
- 2) This Additional Coverage is subject to the deductible that applies to the loss.

## U. PROTECTION AND PRESERVATION OF PROPERTY

This Policy covers:

- 1) reasonable and necessary costs incurred for actions to temporarily protect or preserve insured property; provided such actions are necessary due to actual, or to prevent immediately impending, insured physical loss or damage to such insured property.
- 2) reasonable and necessary:
  - a) fire department fire fighting charges imposed as a result of responding to a fire in, on or exposing the insured property.
  - b) costs incurred of restoring and recharging fire protection systems following an insured loss.
  - c) costs incurred for the water used for fighting a fire in, on or exposing the insured property.

This Additional Coverage does not cover costs incurred for actions to temporarily protect or preserve insured property from actual, or to prevent immediately impending, physical loss or damage covered by TERRORISM coverage as provided in this section of the Policy.

This Additional Coverage is subject to the deductible provisions that would have applied had the physical loss or damage occurred.



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## V. SERVICE INTERRUPTION PROPERTY DAMAGE

- 1) This Policy covers insured physical loss or damage to insured property at an Insured Location or as MISCELLANEOUS PERSONAL PROPERTY when such physical loss or damage results from the interruption of the specified incoming services consisting of electricity, gas, fuel, steam, water, refrigeration or from the lack of outgoing sewerage service by reason of any accidental occurrence to the facilities of the supplier of such service located within this Policy's TERRITORY, that immediately prevents in whole or in part the delivery of such usable service.
- 2) This Additional Coverage will apply when the Period of Service Interruption is in excess of the time shown as Waiting Period in the WAITING PERIOD clause of the DECLARATIONS section.
- 3) The exclusions in the EXCLUSIONS clause of this section do not apply to SERVICE INTERRUPTION PROPERTY DAMAGE coverage except for:
  - a) A1, A2, A3, A6, B1, B2, B5, D1, and
  - b) B4 with respect to incoming or outgoing voice, data, or video.

In addition, as respects SERVICE INTERRUPTION PROPERTY DAMAGE coverage the following exclusion applies:

This Policy excludes loss or damage directly or indirectly caused by or resulting from the following regardless of any other cause or event, whether or not insured under this Policy, contributing concurrently or in any other sequence to the loss:

- a) Terrorism.
- 4) Additional General Provisions:
  - a) The Insured will immediately notify the suppliers of services of any interruption of such services.
  - b) The Company will not be liable if the interruption of such services is caused directly or indirectly by the failure of the Insured to comply with the terms and conditions of any contracts the Insured has for the supply of such specified services.
- 5) References and Application. The following term(s) means:
  - a) Period of Service Interruption:

The period starting with the time when an interruption of specified services occurs; and ending when with due diligence and dispatch the service could be wholly restored.



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## W. TAX TREATMENT OF PROFITS

This Policy is extended to cover the increased tax liability from an insured loss at an Insured Location if the tax treatment of:

- 1) the profit portion of a loss payment under this Policy involving finished stock manufactured by the Insured; and/or
- 2) the profit portion of a TIME ELEMENT loss payment under this Policy;

is greater than the tax treatment of profits that would have been incurred had no loss occurred.

## X. TEMPORARY REMOVAL OF PROPERTY

- 1) When insured property is removed from an Insured Location for the purpose of being repaired or serviced or in order to avoid threatened physical loss or damage of the type insured by this Policy, this Policy covers such property:
  - a) while at the location to which such property has been moved; and
  - b) for physical loss or damage as provided at the Insured Location from which such property was removed.
- 2) This Additional Coverage does not apply to property:
  - a) insured, in whole or in part, elsewhere in this Policy.
  - b) insured, in whole or in part, by any other insurance policy.
  - c) removed for normal storage, processing or preparation for sale or delivery.

## Y. TERRORISM

This Policy covers physical loss or damage caused by or resulting from Terrorism only at locations as specifically described on the Schedule of Locations, at Miscellaneous Unnamed Locations and property covered under MISCELLANEOUS PERSONAL PROPERTY and OFF PREMISES STORAGE FOR PROPERTY UNDER CONSTRUCTION.

Any act which satisfies the definition of Terrorism in item B2f of the EXCLUSIONS clause in this section of the Policy shall not be considered to be vandalism, malicious mischief, riot, civil commotion, or any other risk of physical loss or damage covered elsewhere in this Policy.

Amounts recoverable under this Additional Coverage are excluded from coverage elsewhere in this Policy.



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This Additional Coverage does not cover loss or damage which also comes within the terms of item B2a of the EXCLUSIONS clause in this section of the Policy.

This Additional Coverage does not in any event cover loss or damage directly or indirectly caused by or resulting from any of the following, regardless of any other cause or event, whether or not insured under this Policy contributing concurrently or in any other sequence to the loss:

- 1) that involves the use, release or escape of nuclear materials, or that directly or indirectly results in nuclear reaction or radiation or radioactive contamination; or
- 2) that is carried out by means of the dispersal or application of pathogenic or poisonous biological or chemical materials; or
- 3) in which pathogenic or poisonous biological or chemical materials are released, and it appears that one purpose of the terrorism was to release such materials; or
- 4) that involves action taken to prevent, defend against, respond to or retaliate against Terrorism or suspected Terrorism.

As respects this Additional Coverage, this Policy does not insure any TIME ELEMENT loss as provided in the TIME ELEMENT section of this Policy for more than the number of months shown in the LIMITS OF LIABILITY clause of the DECLARATIONS section.

## Z. TRANSPORTATION

- 1) This Policy covers the following Personal Property, except as excluded by this Policy, while in transit within the TERRITORY of this Policy:
  - a) owned by the Insured.
  - b) shipped to customers under F.O.B., C & F or similar terms. The Insured's contingent interest in such shipments is admitted.
  - c) of others in the actual or constructive custody of the Insured to the extent of the Insured's interest or legal liability.
  - d) of others sold by the Insured, that the Insured has agreed prior to the loss to insure during course of delivery.
- 2) This Additional Coverage excludes:
  - a) samples in the custody of salespeople or selling agents.
  - b) property insured under import or export ocean marine insurance.
  - c) waterborne shipments, unless:
    - (i) by inland water; or

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- (ii) by coastal shipments.
  - d) waterborne shipments via Panama Canal or to and from Alaska, the Commonwealth of Puerto Rico, and Hawaii.
  - e) airborne shipments unless by regularly scheduled passenger airlines or air freight carriers.
  - f) property of others, including the Insured's legal liability for it, hauled on vehicles owned, leased or operated by the Insured when acting as a common or contract carrier.
  - g) any transporting vehicle.
- 3) Coverage Attachment and Duration:
- a) This Additional Coverage covers from the time the property leaves the original point of shipment for transit until the property arrives at the destination.
  - b) However, coverage on export shipments not insured under ocean cargo policies ends when the property is loaded on board overseas vessels or aircraft. Coverage on import shipments not insured under ocean cargo policies begins after discharge from overseas vessels or aircraft.
- 4) This Additional Coverage:
- a) covers general average and salvage charges on shipments covered while waterborne.
  - b) insures physical loss or damage caused by or resulting from:
    - (i) unintentional acceptance of fraudulent bills of lading, shipping or messenger receipts.
    - (ii) improper parties having gained possession of property through fraud or deceit.
- 5) The exclusions in the EXCLUSIONS clause of this section do not apply to TRANSPORTATION coverage except for A1 through A4, B1 through B4, C1, C3, C5, C6, D1 through D4.
- 6) Additional General Provisions:
- a) This Additional Coverage will not inure directly or indirectly to the benefit of any carrier or bailee.
  - b) The Insured has permission, without prejudicing this insurance, to accept:
    - (i) ordinary bills of lading used by carriers;



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- (ii) released bills of lading;
  - (iii) undervalued bills of lading; and
  - (iv) shipping or messenger receipts.
- c) The Insured may waive subrogation against railroads under side track agreements.

Except as otherwise stated, the Insured will not enter into any special agreement with carriers releasing them from their common law or statutory liability.

## AA. VALUABLE PAPERS AND RECORDS

This Policy covers insured physical loss or damage to Valuable Papers and Records while anywhere within this Policy's TERRITORY, including while in transit.

- 1) This Additional Coverage excludes loss or damage to:
  - a) property described below, if such property cannot be replaced with other of like kind and quality, unless specifically declared to the Company.
  - b) currency, money or securities.
  - c) property held as samples or for sale or for delivery after sale.
- 2) **VALUABLE PAPERS AND RECORDS Exclusions:** The exclusions in the EXCLUSIONS clause of this section do not apply to VALUABLE PAPERS AND RECORDS coverage except for A1, A2, A6, A7, B1, B2, B3a, B4, B5, B7 and D4. In addition, as respects VALUABLE PAPERS AND RECORDS the following exclusions apply:

This Policy does not insure:

- a) errors or omissions in processing, or copying; all unless physical damage not excluded by this Policy results, in which event, only that resulting damage is insured.
- b) deterioration, inherent vice, vermin or wear and tear; all unless physical damage not excluded by this Policy results, in which event, only that resulting damage is insured.

- 3) References and Application. The following term(s) wherever used in this Policy means:

- a) **Valuable Papers and Records:**

Written, printed or otherwise inscribed documents and records, including books, maps, films, drawings, abstracts, deeds, mortgages and manuscripts, all of which must be of value to the Insured.



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#### 4. APPLICATION OF POLICY TO DATE OR TIME RECOGNITION

- A. With respect to situations caused by the so-called "Year 2000" problem or any other Date or Time Recognition problem by Electronic Data Processing Equipment or Media, this Policy applies as follows.
  - 1) This Policy does not pay for remediation, change, correction, repair or assessment of any Year 2000 or any other Date or Time Recognition problem in any Electronic Data Processing Equipment or Media, whether preventative or remedial, and whether before or after a loss, including temporary protection and preservation of property. This Policy does not pay for any TIME ELEMENT loss resulting from the foregoing remediation, change, correction, repair or assessment.
  - 2) Failure of Electronic Data Processing Equipment or Media to correctly recognize, interpret, calculate, compare, differentiate, sequence, access or process data involving one or more dates or times, including the Year 2000, is not physical loss or damage insured against by this Policy. This Policy does not pay for any such incident or for any TIME ELEMENT loss resulting from any such incident.

Subject to all of its terms and conditions, this Policy does pay for physical loss or damage not excluded by this Policy that results from a failure of Electronic Data Processing Equipment or Media to correctly recognize, interpret, calculate, compare, differentiate, sequence, access or process data involving one or more dates or times, including the Year 2000. Such covered resulting physical loss or damage does not include any loss, cost or expense described in 1 or 2 above. If such covered resulting physical loss or damage occurs, and if this Policy provides TIME ELEMENT coverage, then, subject to all of its terms and conditions, this Policy also covers any insured Time Element loss directly resulting therefrom.

- B. References and Application. The following term(s) wherever used in this Policy means:

- 1) Date or Time Recognition:

The recognition, interpretation, calculation, comparison, differentiation, sequencing, accessing or processing of data involving one or more dates or times, including the Year 2000.

- 2) Electronic Data Processing Equipment or Media:

Any computer, computer system or component, hardware, network, microprocessor, microchip, integrated circuit or similar devices or components in computer or non-computer equipment, operating systems, data, programs or other software stored on electronic, electro-mechanical, electro-magnetic data processing or production equipment; whether the property of the Insured or not;



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## 5. EXCLUSIONS

The following exclusions apply unless specifically stated elsewhere in this Policy:

A. This Policy excludes:

- 1) indirect or remote loss or damage.
- 2) interruption of business, except to the extent provided by this Policy.
- 3) loss of market or loss of use.
- 4) loss or damage or deterioration arising from any delay.
- 5) mysterious disappearance, loss or shortage disclosed on taking inventory, or any unexplained loss.
- 6) loss from enforcement of any law or ordinance:
  - a) regulating the construction, repair, replacement, use or removal, including debris removal, of any property; or
  - b) requiring the demolition of any property, including the cost in removing its debris; except as provided by the DECONTAMINATION COSTS and DEMOLITION AND INCREASED COST OF CONSTRUCTION coverages of this section of this Policy.
- 7) loss resulting from the voluntary parting with title or possession of property if induced by any fraudulent act or by false pretence.

B. This Policy excludes loss or damage directly or indirectly caused by or resulting from any of the following regardless of any other cause or event, whether or not insured under this Policy, contributing concurrently or in any other sequence to the loss:

- 1) nuclear reaction or nuclear radiation or radioactive contamination. However:
  - a) if physical damage by fire or sprinkler leakage results, then only that resulting damage is insured; but not including any loss or damage due to nuclear reaction, radiation or radioactive contamination.
  - b) this Policy does insure physical damage directly caused by sudden and accidental radioactive contamination, including resultant radiation damage, from material used or stored or from processes conducted on the Insured Location, provided that on the date of loss, there is neither a nuclear reactor nor any new or used nuclear fuel on the Insured Location. This coverage does not apply to any act, loss or damage excluded in item B2f of this EXCLUSIONS clause.

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- 2) a) hostile or warlike action in time of peace or war, including action in hindering, combating or defending against an actual, impending or expected attack by any:
  - (i) government or sovereign power (de jure or de facto);
  - (ii) military, naval or air force; or
  - (iii) agent or authority of any party specified in i or ii above.
- b) discharge, explosion or use of any nuclear device, weapon or material employing or involving nuclear fission, fusion or radioactive force, whether in time of peace or war and regardless of who commits the act.
- c) insurrection, rebellion, revolution, civil war, usurped power, or action taken by governmental authority in hindering, combating or defending against such an event.
- d) seizure or destruction under quarantine or custom regulation, or confiscation by order of any governmental or public authority.
- e) risks of contraband, or illegal transportation or trade.
- f) Terrorism, including action taken to prevent, defend against, respond to or retaliate against Terrorism or suspected Terrorism, except to the extent provided in the TERRORISM coverage in this section of the Policy. However, if direct loss or damage by fire results from any of these acts (unless committed by or on behalf of the Insured), then this Policy covers only to the extent of the Actual Cash Value of the resulting direct loss or damage by fire to property insured. This coverage exception for such resulting fire loss or damage does not apply to any coverage provided in the TIME ELEMENT section of this Policy or to any other coverages provided by this Policy.

Any act which satisfies the definition of Terrorism as provided herein shall not be considered to be vandalism, malicious mischief, riot, civil commotion, or any other risk of physical loss or damage covered elsewhere in this Policy.

If any act which satisfies the definition of Terrorism as provided herein also comes within the terms of item B2a of this EXCLUSIONS clause then item B2a applies in place of this item B2f exclusion.

If any act excluded herein involves nuclear reaction, nuclear radiation or radioactive contamination, this item B2f exclusion applies in place of item B1 of this EXCLUSIONS clause.

**References and Application.** The following term wherever used in this Policy means:

**Terrorism:**



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Any act, involving the use or threat of: force, violence, dangerous conduct, interference with the operations of any business, government or other organization or institution, or any similar act,

When the effect or apparent purpose is:

- (i) To influence or instill fear in any government (de jure or de facto) or the public, or any segment of either; or
  - (ii) To further or to express support for, or opposition to, any political, religious, social, ideological or similar type of objective or position.
- 3) any dishonest act, including but not limited to theft, committed alone or in collusion with others, at any time:
- a) by an Insured or any proprietor, partner, director, trustee, officer, or employee of an Insured; or
  - b) by any proprietor, partner, director, trustee, or officer of any business or entity (other than a common carrier) engaged by an Insured to do anything in connection with property insured under this Policy.

This Policy does insure acts of direct insured physical damage intentionally caused by an employee of an Insured or any individual specified in b above, and done without the knowledge of the Insured. This coverage does not apply to any act excluded in B2f of this EXCLUSIONS clause. In no event does this Policy cover loss by theft by any individual specified in a or b above.

- 4) lack of the following services:
- a) incoming electricity, fuel, water, gas, steam, refrigerant;
  - b) outgoing sewerage;
  - c) incoming or outgoing voice, data or video,

all when caused by an occurrence off the Insured Location, except as provided in SERVICE INTERRUPTION in the PROPERTY DAMAGE or TIME ELEMENT section of this Policy. But, if the lack of such a service directly causes physical damage insured by this Policy on the Insured Location, then only that resulting damage is insured.

- 5) Earth Movement for property located in the High Hazard Zones for Earth Movement, in the New Madrid Seismic Zone as described in Appendix B and in the Pacific Northwest Seismic Zone as described in Appendix C.
- 6) loss or damage to landscaping, lawns, shrubs, trees and flowers caused by the action of wind including substance driven by wind. But, if such loss or damage directly causes

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physical damage insured by this Policy to insured property other than landscaping, lawns, shrubs, trees and flowers, then only that resulting damage is insured.

- 7) Boiler and Machinery at Miscellaneous Unnamed Locations.
- C. This Policy excludes the following, but, if physical damage not excluded by this Policy results, then only that resulting damage is insured:
  - 1) faulty workmanship, material, construction or design from any cause.
  - 2) loss or damage to stock or material attributable to manufacturing or processing operations while such stock or material is being processed, manufactured, tested, or otherwise worked on.
  - 3) deterioration, depletion, rust, corrosion or erosion, wear and tear, inherent vice or latent defect.
  - 4) settling, cracking, shrinking, bulging, or expansion of:
    - a) foundations (including any pedestal, pad, platform or other property supporting machinery).
    - b) floors.
    - c) pavements.
    - d) walls.
    - e) ceilings.
    - f) roofs.
  - 5) a) changes of temperature damage (except to machinery or equipment); or
    - b) changes in relative humidity damage,
     all whether atmospheric or not.
  - 6) insect, animal or vermin damage.
  - 7) loss or damage to the interior portion of buildings under construction from rain, sleet or snow, whether or not driven by wind, when the installation of the roof, walls and windows of such buildings has not been completed.
- D. This Policy excludes the following unless directly resulting from other physical damage not excluded by this Policy:
  - 1) contamination including but not limited to the presence of pollution or hazardous material.

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- 2) shrinkage.
- 3) changes in color, flavor, texture or finish.
- 4) fungus, mold or mildew.





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## TIME ELEMENT - SECTION C

### 1. LOSS INSURED

- A. This Policy insures TIME ELEMENT loss, as provided in the TIME ELEMENT COVERAGES, directly resulting from physical loss or damage of the type insured by this Policy:
  - 1) to property described elsewhere in this Policy and not otherwise excluded by this Policy or otherwise limited in the TIME ELEMENT COVERAGES below;
  - 2) used by the Insured, or for which the Insured has contracted use;
  - 3) located at an Insured Location or within 1,000 feet of it, or as provided as TEMPORARY REMOVAL OF PROPERTY or OFF PREMISES STORAGE FOR PROPERTY UNDER CONSTRUCTION; or
  - 4) while at a MISCELLANEOUS PERSONAL PROPERTY Location and such Location is not a Dependent Time Element Location; or
  - 5) while in transit as provided by this Policy, and
  - 6) during the Periods of Liability described in this section.
- B. This Policy insures TIME ELEMENT loss only to the extent it cannot be reduced through:
  - 1) the use of any property or service owned or controlled by the Insured;
  - 2) the use of any property or service obtainable from other sources;
  - 3) working extra time or overtime; or
  - 4) the use of inventory,
 all whether at an Insured Location or at any other location. The Company reserves the right to take into consideration the combined operating results of all associated, affiliated or subsidiary companies of the Insured in determining the TIME ELEMENT loss.
- C. This Policy covers expenses reasonably and necessarily incurred by the Insured to reduce the loss otherwise payable under this section of this Policy. The amount of such recoverable expenses will not exceed the amount by which the loss has been reduced.
- D. Except as respects LEASEHOLD INTEREST, in determining the amount of loss payable, the Company will consider the experience of the business before and after and the probable experience during the PERIOD OF LIABILITY.
- E. TIME ELEMENT COVERAGE EXTENSIONS – GROUP A also apply for Dependent Time Element Locations. Dependent Time Element Locations shall be considered Insured Locations for application of such Extensions.



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## 2. TIME ELEMENT COVERAGES

### A. BUSINESS INTERRUPTION

#### 1) Measurement of Loss:

- a) The recoverable BUSINESS INTERRUPTION loss is the Actual Loss Sustained by the Insured of the following during the PERIOD OF LIABILITY:
  - (i) Net Profit, before deducting income taxes, which is not earned as a direct result of the interruption of production or suspension of business operations or services; and
  - (ii) Fixed Charges, including:
    - (a) administrative expenses, interest on fixed indebtedness, advertising, taxes other than income taxes, insurance;
    - (b) salaries or wages of officers and employees whose services must necessarily be continued or who are employed under contracts guaranteeing annual compensation;
    - (c) vacation, holiday and sick leave pay;
    - (d) expense of heat, light, and power, selling expenses of the plant and branch stores when chargeable to the plant; and
    - (e) any other item that contributes to the Insured's overhead expense as a whole, excluding ordinary payroll

all to the extent that these charges continue following the loss and would have been earned had no such interruption happened.
- b) In determining the indemnity payable as the Actual Loss Sustained, the Company will consider the continuation of only those normal charges and expenses that would have been earned had no interruption of production or suspension of business operations or services occurred.
- c) If the Insured would have operated at a deficit had no interruption of production or suspension of business operations or services happened, the extent that Fixed Charges would have been earned will be determined:
  - (i) For Fixed Charges, by subtracting the operating deficit from the Fixed Charges that need to continue.
- d) There is recovery hereunder but only to the extent that the Insured is:



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- (i) wholly or partially prevented from producing goods or continuing business operations or services;
- (ii) unable to make up lost production within a reasonable period of time, not limited to the period during which production is interrupted;
- (iii) unable to continue such operations or services during the PERIOD OF LIABILITY; and
- (iv) able to demonstrate a loss of sales for the operations, services or production prevented.

## B. EXTRA EXPENSE

### 1) Measurement of Loss:

The recoverable EXTRA EXPENSE loss will be the reasonable and necessary extra costs incurred by the Insured of the following during the PERIOD OF LIABILITY:

- a) Extra expenses to temporarily continue as nearly normal as practicable the conduct of the Insured's business; and
  - b) Extra costs of temporarily using property or facilities of the Insured or others, less any value remaining at the end of the PERIOD OF LIABILITY for property obtained in connection with the above.
- 2) EXTRA EXPENSE Exclusions: As respects EXTRA EXPENSE, the following are also excluded:
- a) Any loss of income.
  - b) Costs that normally would have been incurred in conducting the business during the same period had no physical loss or damage occurred.
  - c) Cost of permanent repair or replacement of property that has been damaged or destroyed.
  - d) Any expense recoverable elsewhere in this Policy.
- 3) References and Application. The following term(s) means:

- a) Normal:

The condition that would have existed had no physical loss or damage occurred.

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### C. LEASEHOLD INTEREST

#### 1) Measurement of Loss:

The recoverable LEASEHOLD INTEREST incurred by the Insured of the following:

- a) If the lease agreement requires continuation of rent; and if the property is wholly untenantable or unusable, the actual rent payable for the unexpired term of the lease; or if the property is partially untenantable or unusable, the proportion of the rent payable for the unexpired term of the lease.
- b) If the lease is canceled by the lessor pursuant to the lease agreement or by the operation of law; the Lease Interest for the first three months following the loss; and the Net Lease Interest for the remaining unexpired term of the lease.

#### 2) References and Application. The following term(s) means:

##### a) Lease Interest:

The excess rent paid for the same or similar replacement property over actual rent payable plus cash bonuses or advance rent paid (including maintenance or operating charges) for each month during the unexpired term of the Insured's lease.

##### b) Net Lease Interest:

That sum which placed at 6% interest rate compounded annually would equal the Lease Interest (less any amounts otherwise payable hereunder).

#### 3) LEASEHOLD INTEREST Exclusions: As respects LEASEHOLD INTEREST, TIME ELEMENT EXCLUSIONS A, B, and C do not apply and the following applies instead:

This Policy does not insure any increase in loss resulting from the suspension, lapse or cancellation of any license, or from the Insured exercising an option to cancel the lease; or from any act or omission of the Insured that constitutes a default under the lease.

In addition, there is no coverage for the Insured's loss of LEASEHOLD INTEREST directly resulting from physical loss or damage to Personal Property.

### D. RENTAL INSURANCE

#### 1) Measurement of Loss:

The recoverable RENTAL INSURANCE loss is the Actual Loss Sustained by the Insured of the following during the PERIOD OF LIABILITY:

- a) The fair rental value of any portion of the property occupied by the Insured;



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- b) The income reasonably expected from rentals of unoccupied or unrented portions of such property; and
- c) The rental income from the rented portions of such property according to bona fide leases, contracts or agreements in force at the time of loss,  
all not to include noncontinuing charges and expenses.

- 2) RENTAL INSURANCE Exclusions: As respects RENTAL INSURANCE, TIME ELEMENT EXCLUSIONS A does not apply and the following applies instead:
  - A. This Policy does not insure any loss of rental income during any period in which the insured property would not have been tenantable for any reason other than an insured loss.

### **3. TIME ELEMENT COVERAGE EXTENSIONS – GROUP A**

#### **A. CIVIL AUTHORITY**

This Policy covers the Actual Loss Sustained and EXTRA EXPENSE incurred by the Insured during the PERIOD OF LIABILITY if an order of civil authority prohibits access to the Insured Location provided such order is the direct result of physical damage of the type insured against under this Policy at the Insured Location or within 1,000 feet of it.

The PERIOD OF LIABILITY for this TIME ELEMENT COVERAGE EXTENSION will be:

The period of time:

- 1) starting at the time of such physical damage; but
- 2) not to exceed 30 consecutive days,

this period of time is part of and not in addition to any PERIOD OF LIABILITY applying to any coverage provided in the TIME ELEMENT section.

However this Extension does not apply to LEASEHOLD INTERESTS.

#### **B. DELAY IN START UP**

BUSINESS INTERRUPTION and EXTRA EXPENSE are extended to cover the Actual Loss Sustained incurred by the Insured during the PERIOD OF LIABILITY due to the reasonable and necessary delay in start up of the business operations directly resulting from physical loss or damage of the type insured to insured property under construction at an Insured Location or property covered by OFF PREMISES STORAGE FOR PROPERTY UNDER CONSTRUCTION.